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No. 01-680

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

HALLMARK CARDS, INCORPORATED,
Petitioner,

v.

GROUP ONE LTD.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITIONER'S REPLY BRIEF

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ARGUMENT

In opposing Hallmark's Petition for Certiorari, Group One argues that review by this Court is not warranted because (1) the Federal Circuit's decision in this case "merely clarified" its prior jurisprudence, (2) the public use bar will alleviate any concern about inventors abusing the on sale bar under the new *Group One* test, and (3) this case is not ripe for Supreme Court review.

None of these arguments is correct. The indisputable fact acknowledged by the Federal Circuit in a subsequent decision and by Respondent's counsel in a published article is that the Federal Circuit's decision in this case has radically changed the law regarding the on sale bar. That change has significant importance which warrants this Court's immediate attention.

I. THE FEDERAL CIRCUIT'S DECISION SIGNIFICANTLY CHANGED THE PRIOR LAW.

The short answer to Group One's mere clarification of prior law contention (Opp. 16) is that the Federal Circuit itself recently acknowledged that its *Group One* decision materially changed the on sale bar law. In *Linear Technology Corp. v. Micrel, Inc.*, No. 00-1045, __ F.3d __, 2001 WL 1669382 (Fed. Cir. Dec. 28, 2001), the Federal Circuit stated point-blank: "[I]n *Group One* . . . this court changed the analysis required to determine whether an offer for sale has occurred." *Id.* at *1. Moreover, the Federal Circuit specifically announced that *RCA Corp. v. Data General Corp.*, 887 F.2d 1056 (Fed. Cir. 1986) ("*RCA*"), was no longer the law:

> "*Group One* held that '[o]nly an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under § 102(b).' *In so holding, we expressly held that our previous enunciation of the law in RCA Corp. is incorrect in light of Pfaff* [*v. Wells Electronics Inc.*, 525 U.S. 55 (1998)]."

Id. at *5 (citation omitted; emphasis supplied).

Based on the "new legal standard articulated in *Group One*," the Federal Circuit in *Linear* reversed a district court finding of patent invalidity under the on sale bar. *Id.* at *1. In so doing, the Federal Circuit noted that, under *RCA*, the patent in question would indeed have been invalid under the on sale bar—despite the absence of a contractual offer for sale—due to the patent holder's significant commercialization efforts consisting of disseminating product and pricing information to its sales force and international distributors, and contacting customers directly concerning the product:

> "*As an initial matter, we agree with the district court that LTC's activities would have triggered the on-sale*

> *bar under the law as enunciated in RCA Corp.* LTC's significant pre-release efforts at commercialization and its targeted advertising to end-users could have triggered the on-sale bar under *RCA Corp.* even if they did not rise to the level of a contractual offer-for-sale because, as the district court found, they went 'beyond merely nebulous or indefinite discussions about a possible sale.'"

Id. at *6 (citation omitted; emphasis supplied).

That the Federal Circuit's decision in this case has wrought a material change in the law is also apparent in other cases that have considered on sale bar issues after *Group One*. *See, e.g., Jeneric/Pentron, Inc. v. Dillon Co.*, 171 F. Supp. 2d 49, 66-68 (D. Conn. 2001) (finding no on sale bar under *Group One* where patent owner provided samples of the product embodying the invention and included the invention in price lists to solicit sales of the product before the critical date because there were no delivery or quantity terms or an order form).

The sea change in the on sale bar also has been noted by patent practitioners: "In fact, the decision in *Group One Ltd. v. Hallmark Cards, Inc.* has so changed the playing field that several patent lawyers, who wished to remain anonymous, said they're now trying to settle cases." "In The News," *Corporate Counsel*, August 2001, at 13. While ridiculing Hallmark's "doomsday predictions" on how patentees will take advantage of the change in law (Opp. 20-23), counsel for Respondent predicted the same result: "Richard Clark, a partner in Baker Botts's New York office who represented Group One, calls the decision a landmark. 'The court has gone the other way now,' says Clark. 'You can now go out, and hype your invention without the clock ticking.'" "In the News," *Corporate Counsel*, August 2001, at 14.

Furthermore, not only has this case changed the prior law, it has done so in a manner that has led to an evisceration of the sound policy reasons underlying Section 102(b). For

example, in *Jeneric*, the patented invention had been undeniably "on sale" prior to the critical date according to any commonly understood concept of what it means for something to be "on sale." Moreover, under prior jurisprudence, the invention of *Jeneric*, just as the invention in *Linear*, was clearly "on sale." *See, e.g., RCA*, 887 F.2d at 1062; *General Electric Co. v. United States*, 206 USPQ 260, 276-77 (Ct. Cl. Tr. Div. 1979); *Strong v. General Electric Co.*, 434 F.2d 1042, 1043-45, 168 USPQ 8 (5th Cir. 1970); *Aoki Technical Lab., Inc. v. FMT Corp.*, 26 F. Supp. 2d 319, 325 (D.N.H. 1998). In *Jeneric*, however, because a binding purchase order for the product was not issued until after the critical date, the district court, applying *Group One*, looked to hornbook contract law principles and concluded that the patent owner's extensive commercialization activities—advertising goods at a particular price, supplying price quotations, distributing sample goods—did not themselves create a binding contract offer, but constituted instead "invitations to offer or otherwise negotiate," that the patentee was free to accept or reject. 171 F. Supp. 2d at 68.

Comparing the on sale bar deadlines pre-and post-*Group One*, the patent owner in *Jeneric* would have been required to file a patent application by October 1995—one year after submitting the commercial sample to solicit orders (*see, e.g., General Electric Co. v. United States*, 206 USPQ at 276-77)—to avoid the on sale bar. Since it did not do so, under prior law, the patent would have been declared invalid. Under the Federal Circuit's new test, the *Jeneric* patent owner could have waited to file its patent application until August 1997—one year after the accepted purchase order. This is an extension of the pre-filing on sale bar grace period on this invention by almost two years—hardly a result consonant with the statutory policy of limiting the amount of pre-patent filing commercial activities.

The courts' analyses in *Linear* and *Jeneric* also demonstrate why it is ill-conceived to engraft contract law jurisprudence onto the on sale bar test. Offer and acceptance case law developed from situations where one party to a putative contract is attempting to enforce a contract that the other party contends was never created. A court should be reluctant to enforce a putative contract unless there is clear evidence that both parties agreed to be bound by specific terms of an agreement. These considerations are totally lacking with respect to the policies underlying the on sale bar, which seek to assure the prompt and widespread availability of inventions to promote the progress of the sciences and arts. *Pennock v. Dialogue*, 2 Peters (27 U.S.) 1, 19 (1829). Thus, activities placing the product "on sale" under the on sale bar, and under the literal language of the statute, are not the type of activities that suffice to make legally binding contract offers.

Nowhere in Group One's opposition or in the Federal Circuit's opinion is there any articulation of why from a patent law perspective it is either necessary or desirable for the patentee to have available an unlimited grace period prior to the critical date to engage in commercialization activity that does not amount to a formally binding contractual offer, to be followed by an additional one year grace period in which formally binding offers could be pursued.

II. THE PUBLIC USE BAR WILL NOT AMELIORATE THE FEDERAL CIRCUIT'S ERRONEOUS ON SALE BAR TEST.

Group One argues that Hallmark's "doomsday predictions" about the new on sale bar test are ill-founded because the "public use" bar (§ 102(b)) in the patent law will prevent any non-contractual commercialization activity from taking place. (Opp. 8, 21, 22.) The fact that an inventor may also run afoul

of the public use bar while running afoul of the on sale bar, however, does not provide justification for marginalizing the on sale bar.

As Group One notes, the on sale bar and the public use bar work independently of each other, and it is, of course, axiomatic that Congress intended them to address different situations. If the public use bar were sufficient to curb potential patent holders' abuse of pre-patent-filing activities, there would be no need for the on sale bar. This argument simply has nothing to do with the potential harm that likely will flow from the Federal Circuit's new on sale bar standard. It is therefore illogical for Group One to argue that the public use bar operates as a check on the on sale bar, inasmuch as any checking function would take place by happenstance rather than by design. Moreover, Group One's cited examples of non-contractual commercialization activities—"soliciting customers, attending trade shows" (Opp. 8)—would not necessarily implicate the public use bar itself unless the inventor "publicly used" the invention in the course of the customer solicitation or trade show attendance, which Group One avoided in the case at bar.

III. THE QUESTION PRESENTED IS RIPE FOR REVIEW.

Group One's ripeness arguments—there is no final judgment (Opp. 10-11), Hallmark's question is hypothetical (Opp. 11-13), and answering the question presented would not affect the outcome of the case (Opp. 13-14)—are without merit.

Finality is not a requirement to obtaining a writ of certiorari under 28 U.S.C. § 1254(1), as Group One has acknowledged, as long as the Court is satisfied that the question raised is of sufficient importance. The importance of the issue has been discussed in Hallmark's Petition and need not be repeated. Moreover, resolving the on sale bar

issue is fundamental to the ongoing conduct of this litigation, which is another permissible basis for Supreme Court review before entry of a final judgment. *See Land v. Dollar*, 330 U.S. 731, 734 n.2 (1947) (accepting for review case without final judgment because it involved an issue "'fundamental to the further conduct of the case'") (quoting *United States v. General Motors Corp.*, 323 U.S. 373, 377 (1945)); *Larson v. Domestic & Foreign Commerce Corp.*, 337 U.S. 682, 685 n.3 (1949) (same).[1]

As a practical matter, the judgment in this case is "final" as to the on sale bar: Hallmark has no basis upon which to continue to litigate the on sale bar claim in the District Court since the claim has been dismissed by the Federal Circuit. If this Court were to refrain from hearing the on sale bar issue at this time, the next opportunity for Supreme Court review would be after a trial and appeal on infringement and Hallmark's remaining defenses and counterclaim. The issue with respect to whether Group One's activities constituted a commercial offer for sale, however, would be presented to this Court at this later date on precisely the same record as exists today.

Moreover, the question presented is not hypothetical and, in fact, has dispositive repercussions for this aspect of the case. Hallmark has asked this Court to determine the correct legal standard under which an invention is considered "on sale" under 35 U.S.C. § 102(b). There is no question that the legal standard to be applied in this case will have a bearing on

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[1] The parties hereto incorrectly referred to Rule 11 in connection with this Petition. (*See* Petition 9; Opp. 11.) Rule 11 applies to a certiorari petition filed "to review a case pending in a United States court of appeals, before judgment is given in that court." Sup. Ct. R. 11. In this case, judgment already has been entered by the Federal Circuit, so Rule 11 does not apply. *See generally* Robert L. Stern *et al.*, *Supreme Court Practice* § 2.3 (7th ed. 1993).

the outcome of this case.[2] Hallmark has already prevailed on its on sale bar argument in the District Court, which employed the *RCA* analysis. The Federal Circuit did not take issue with the District Court's conclusion that, under *RCA*, the commercial offer for sale prong of the on sale bar test was triggered by the undisputed facts concerning Group One's commercialization activities.

Finally, Group One seeks to make an issue of the fact that Hallmark did not know how Group One's ribbon curling invention worked when Group One repeatedly offered to sell it to Hallmark before the critical date. (Opp. 3, 11.) This is legally irrelevant to the on sale bar analysis. *See King Instrument v. Otari Corp.*, 767 F.2d 853, 860, 226 USPQ 402 (Fed. Cir. 1985) (holding that it is unnecessary that the purchaser have actual knowledge of the invention or understand how the invention worked to trigger the on sale bar). Indeed, products are commonly sold without first disclosing how or why they work and are promoted based on described results or capabilities. Moreover, it is undisputed that, like the purchaser in *King Instrument* who only knew generally what the machine did, Hallmark knew from Group One's communications with Hallmark that Group One had offered it a ribbon curling machine that could make commercial quantities of curled ribbon in a bag, a sample of which Group One had sent to Hallmark prior to the critical date. (*See* Petition 4.)

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[2] Group One's citation to *Conway v. California Adult Authority*, 396 U.S. 107 (1969), is misplaced. In *Conway*, the Court dismissed the writ of certiorari as improvidently granted because the petition misstated the facts underlying the writ, leaving the question presented without any factual basis. *Id.* at 109-10. Here, there is no basis for Group One to claim that the facts underlying the Petition here are not supported in the factual record.

CONCLUSION

The Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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